

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1962-01
Bill No.: HB 886
Subject: Revenue Dept.; Taxation and Revenue-General-Sales and Use
Type: Original
Date: April 2, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$2,011,736)	(\$3,093,043)	(\$3,170,287)
School District Trust	(\$670,578)	(\$1,031,014)	(\$1,056,762)
Conservation	(\$83,823)	(\$128,877)	(\$132,095)
Parks and Soil	(\$67,058)	(\$103,101)	(\$105,676)
Total Estimated Net Effect on <u>All</u> State Funds	(\$2,833,195)	(\$4,356,035)	(\$4,464,820)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	(\$1,005,868)	(\$1,546,522)	(\$1,585,144)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

In response to similar legislation officials of the **Department of Revenue (DOR)** stated the proposal would exempt the sale of coffins, caskets, burial cases and burial vaults from sales and use taxes.

DOR staff assume 80% of all taxable sales by funeral homes and crematories involve sales of the above items. Taxable sales for businesses in the SIC category "726-Funeral Service and Crematories" in FY 98 were \$108,925,594. If it is assumed that 80% of these sales represent these items, the amount of taxable sales that would be exempted in FY 98 would be \$87,140,475. 2.5% inflation is assumed.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal provides a sales tax exemption for coffins, casket burial cases, burial vaults, and burial clothing. BAP defers to DOR's estimate on this legislation.

Oversight assumes fiscal impact would not occur until October 1, 2001. This is because the law would go into effect August 28, 2001, and a one month lag is assumed. This would result in eight months of fiscal impact in FY 2002. Estimates are based on 1998 sales data.

According to table number 132, page 96, of the 1999 Statistical Abstract of the United States, the number of deaths in Missouri was 55,000 in 1997. If Oversight assumes the average cost of a burial outfit would be approximately \$80, then the amount of taxable sales that would be exempted in FY02 would be \$4.4 million.

This proposal would result in a decrease in Total State Revenues since Sales and Use Tax collections are included in the calculation of Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Loss - General Revenue Fund</u>			
Elimination of sales tax on Caskets, Coffins and Burials Cases and Vaults	(\$1,923,736)	(\$2,957,743)	(\$3,031,687)
Elimination of sales tax on Clothing used for burial	<u>(\$88,000)</u>	<u>(\$135,300)</u>	<u>(\$138,600)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$2,011,736)</u>	<u>(\$3,093,043)</u>	<u>(\$3,170,287)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
SCHOOL DISTRICT TRUST FUND			
<u>Loss - School District Trust Fund</u>			
Elimination of sales tax on Caskets, Coffins and Burials Cases and Vaults	(\$641,245)	(\$985,914)	(\$1,010,562)
Elimination of sales tax on Clothing used for burial	<u>(\$29,333)</u>	<u>(\$45,100)</u>	<u>(\$46,200)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(\$670,578)</u>	<u>(\$1,031,014)</u>	<u>(\$1,056,762)</u>
 CONSERVATION FUND			
<u>Loss - Conservation Fund</u>			
Elimination of sales tax on Caskets, Coffins and Burials Cases and Vaults	(\$80,156)	(\$123,239)	(\$126,320)
Elimination of sales tax on Clothing used for burial	<u>(\$3,667)</u>	<u>(\$5,638)</u>	<u>(\$5,775)</u>
ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>(\$83,823)</u>	<u>(\$128,877)</u>	<u>(\$132,095)</u>
 PARKS AND SOIL FUNDS			
<u>Loss - Parks and Soil Funds</u>			
Elimination of sales tax on Caskets, Coffins and Burials Cases and Vaults	(\$64,125)	(\$98,591)	(\$101,056)
Elimination of sales tax on Clothing used for burial	<u>(\$2,933)</u>	<u>(\$4,510)</u>	<u>(\$4,620)</u>
ESTIMATED NET EFFECT ON PARKS AND SOIL FUNDS	<u>(\$67,058)</u>	<u>(\$103,101)</u>	<u>(\$105,676)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Loss to Cities</u>			
Elimination of sales tax on Caskets, Coffins and Burials Cases and Vaults	(\$577,121)	(\$887,323)	(\$909,506)
Elimination of sales tax on Clothing used for burial	(\$26,400)	(\$40,590)	(\$41,580)
<u>Loss to Counties</u>			
Elimination of sales tax on Caskets, Coffins and Burials Cases and Vaults	(\$384,747)	(\$591,549)	(\$606,337)
Elimination of sales tax on Clothing used for burial	<u>(\$17,600)</u>	<u>(\$27,060)</u>	<u>(\$27,720)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>(\$1,005,868)</u>	<u>(\$1,546,522)</u>	<u>(\$1,585,144)</u>

FISCAL IMPACT - Small Business

Small businesses who sell coffins, caskets, burial cases, vaults and clothing for burial would be expected to be fiscally impacted to the extent that would no longer collect and pay sales tax on these items.


DESCRIPTION

This bill exempts from state and local sales and use taxes all sales of coffins, caskets, burial cases, burial vaults and clothing used for burial purposes.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Division of Budget and Planning


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Director
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